FERRO CORP
Form DEF 14A
March 23, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule14a-6(e)(2))**

þ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Under Rule 14a-12

FERRO CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Persons(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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March 23, 2015

Dear Shareholder:

I cordially invite you to attend the 2015 Annual Meeting of Shareholders of Ferro Corporation, which will be held on April 24, 2015. The meeting will be held at the Cleveland Marriott East, 26300 Harvard Road, Warrensville Heights, Ohio 44122, and will begin at 9:00 a.m. (Eastern Time). At the 2015 Annual Meeting, shareholders will (i) vote on the election of six Directors, (ii) vote on the management proposal regarding a change to the minimum size of the Board of Directors, (iii) vote on the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015, (iv) vote in a non-binding advisory capacity to approve our named executive officer compensation, and (v) transact such other business as may properly come before the 2015 Annual Meeting or any adjournment or postponement thereof.

Shareholders of record at the close of business on March 16, 2015 are entitled to vote at the 2015 Annual Meeting. Regardless of the number of shares you own, your vote is important. I urge you to vote as soon as possible by telephone, the Internet or by signing, dating and returning the enclosed proxy card by mail, even if you plan to attend the meeting.

I look forward to seeing you at the 2015 Annual Meeting.

Very truly yours,

PETER T. THOMAS
President and

Chief Executive Officer

PROXY STATEMENT

This document is the Notice of Meeting and the Proxy Statement of the Board of Directors of Ferro Corporation (the Board) in connection with the 2015 Annual Meeting of Shareholders to be held on April 24, 2015, 9:00 a.m. (Eastern Time).

ABOUT THE ANNUAL MEETING OF SHAREHOLDERS

Who is soliciting my proxy with this Proxy Statement?

The Board of Directors of Ferro is soliciting your proxy in connection with Ferro s 2015 Annual Meeting of Shareholders.

Where and when will the meeting be held?

This year s meeting will be held on April 24, 2015, at the Cleveland Marriott East, 26300 Harvard Road, Warrensville Heights, Ohio 44122. The meeting will begin at 9:00 a.m. (Eastern Time).

What will be voted on at the meeting?

At the meeting, shareholders will be asked to approve the election of six Directors, approve an amendment to our Amended and Restated Code of Regulations to reduce the minimum size of the Board to six, approve the ratification of the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for 2015, approve, in a non-binding advisory capacity, the Company s named executive officer compensation, and transact such other business as may properly come before the 2015 Annual Meeting or any adjournment or postponement thereof.

What if I wish to attend the meeting?

Attendance at the meeting is limited to the Company s shareholders and its invited guests. If you wish to attend the meeting, you should so indicate on the enclosed attendance response card and return the card to Ferro. This will assist with meeting preparations and expedite your admission to the meeting. If you hold shares in your name, please be prepared to provide proper identification, such as a driver s license. If you hold your shares through a bank or broker (i.e., in street name), you also will need proof of ownership, such as a recent account statement or letter from your bank or broker, along with proper identification.

Even if you wish to attend the meeting, we urge you to cast your vote prior to the meeting using the enclosed proxy card or voting via the Internet or telephone. If you choose to vote in person at the meeting, it will revoke any previous proxy submitted. If you hold your shares in street name and wish to vote in person at the meeting, you must provide a legal proxy obtained from your bank or broker.

Please note that participants in the Ferro Corporation Savings and Stock Ownership Plan may not vote in person at the meeting, as only the Trustee of such Plan is authorized to vote shares held by participants on their behalf. (Please see If I am a participant in the Ferro Corporation Savings and Stock Ownership Plan, how do I vote? below.)

Who is entitled to vote at the meeting?

The record date for this meeting is March 16, 2015. On that date, Ferro had 87,241,582 shares of common stock (Common Stock) outstanding. Each of these shares will be entitled to one vote at the meeting. Stockholders may not cumulate votes in the election of directors.

If I am a shareholder of record of Common Stock, how do I vote?

If your shares are registered directly in your name with the Company s transfer agent, Computershare Investor Services, LLC, you are considered the shareholder of record with respect to those shares and you may cast your vote in person at the meeting or by any one of the following ways:

By Telephone: You may call the toll-free number indicated on your proxy card. Follow the simple instructions and use the personalized control number specified on your proxy card to vote your shares. You will be able to confirm that your vote has been properly recorded. Your telephone vote authorizes the named proxies to vote your shares in the same manner as if you had marked, signed and returned a proxy card.

Over the Internet: You may visit the website indicated on your proxy card. Follow the simple instructions and use the personalized control number specified on your proxy card to vote your shares. You will be able to confirm that your vote has been properly recorded. Your Internet vote authorizes the named proxies to vote your shares in the same manner as if you had marked, signed and returned a proxy card.

By Mail: You may mark, sign and date the enclosed proxy card and return it in the postage-paid envelope provided.

If I am a beneficial owner of shares held in street name, how do I vote?

If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization, then you are the beneficial owner of shares held in street name. The organization holding your account is considered the shareholder of record for purposes of voting at the 2015 Annual Meeting. As a beneficial owner, you have the right to instruct that organization on how to vote the shares held in your account. If you request printed copies of these proxy materials by mail, you will receive a voting instruction form.

If I am a participant in the Ferro Corporation Savings and Stock Ownership Plan, how do I vote?

If you are a participant in the Ferro Corporation Savings and Stock Ownership Plan (the Plan), you have the right to instruct JPMorgan Chase Bank, as Trustee, to vote the shares allocated to your Plan account. If no instructions are given or if your voting instructions are not received by the deadline shown on the enclosed voting instruction form, the Trustee will vote the uninstructed shares in the same proportion in which it has received voting instructions.

What if I want to change my vote?

If you want to change your vote, you may revoke your proxy by:

- o Submitting your vote at a later time via the Internet or telephone;

- o Submitting a properly signed proxy card with a later date that is received at or prior to the 2015 Annual Meeting;

- o Attending the 2015 Annual Meeting and voting in person (if you do revoke your proxy during the meeting, it will not, of course, affect any vote that has already been taken); or

- o Providing notice, either in writing before the meeting to: Secretary, Ferro Corporation, 6060 Parkland Boulevard, Suite 250, Mayfield Heights, Ohio 44124 USA or at the meeting itself.

What if I submit a proxy without giving specific voting instructions?

If you properly submit a proxy without giving specific voting instructions, the individuals named as proxies on the proxy card will vote your shares:

- o **FOR** the election of the six nominees for Director named on page 4.
- o **FOR** the approval of the amendment to our Amended and Restated Code of Regulations to reduce the minimum size of the Board to six.
- o **FOR** the ratification of Deloitte & Touche LLP as the Company s independent registered public accounting firm for 2015.
- o **FOR** the approval of the compensation of the Company s named executive officers.
- o In accordance with the best judgment of the individuals named as proxies on the proxy card on any other matters properly brought before the 2015 Annual Meeting.

Will my shares be voted if I do not provide my proxy?

If you are a registered shareholder and do not submit a proxy, you must attend the meeting in order to vote your shares.

If you hold shares in street name, your shares may be voted on certain matters even if you do not provide voting instructions to your bank or broker. Banks and brokers have the authority under the rules of the New York Stock Exchange (NYSE) to vote shares for which their customers do not provide voting instructions on certain routine matters. The ratification of the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm is considered a routine matter for which banks and brokers may vote without specific instructions from their customers. You must provide voting instructions to your bank or broker for your shares to be voted on all other matters presented at the 2015 Annual Meeting.

If you are a participant in the Plan and do not instruct JPMorgan Chase Bank, as Trustee, to vote the shares allocated to your Plan account, or if your voting instructions are not received by the deadline shown on the enclosed voting instruction form, the Trustee will vote the uninstructed shares in the same proportion in which it has received voting instructions

What should I do if I have questions?

If you have any questions or require any assistance with voting your shares of Common Stock, please contact our proxy solicitor, Innisfree M&A Incorporated, toll free at (888) 750-5834. Banks and brokers may call collect at (212) 750-5833.

PROPOSAL ONE: ELECTION OF DIRECTORS

At the 2015 Annual Meeting, the Shareholders will consider the election of six directors for terms ending in 2016. Previously, the Company divided its Board into three classes with each class having a minimum of three Directors who served for three-year terms each. At the 2014 Annual Meeting, the Shareholders approved an amendment to the Company s Amended and Restated Code of Regulations to declassify the Board and provide that all Directors elected at or after the 2014 Annual Meeting of Shareholders be elected on an annual basis. Thus, the terms of the three Directors elected at the 2014 Annual Meeting, as well as the terms of the four Directors elected at the 2012 Annual Meeting, are expiring this year. The terms of the three Directors elected at the 2013 Annual Meeting will expire next year at the 2016 Annual Meeting of Shareholders, at which time all Directors will be elected annually.

The following pages contain information about Ferro s Directors, including the nominees for re-election and the Directors whose terms will not expire at this meeting. For each of the Directors, the number of shares reported as Common Stock Owned is as of March 16, 2015, the record date for the 2015 Annual Meeting, and includes shares that the Director owns directly or indirectly as well as deferred stock units that are converted to Common Stock once a Director ceases to serve on the Board. Deferred stock units represent the right to receive shares of Common Stock when settled, but do not have any voting rights. The number of shares reported as Common Stock Under Option is as of March 16, 2015, and includes options that will be vested and exercisable as of May 15, 2015.

Nominees for Election at this Annual Meeting

The current terms of office of Richard J. Hipple, Gregory E. Hyland, Jennie S. Hwang, Ph.D., Peter T. Kong, William B. Lawrence, Timothy K. Pistell, and Peter T. Thomas will expire on the day of the 2015 Annual Meeting (as soon as they or their successors are elected). The Board, upon recommendation of the Governance & Nomination Committee of the Board, nominated Dr. Hwang and Messrs. Hipple, Hyland, Kong, Pistell and Thomas for re-election to the Board at this Annual Meeting. Mr. Lawrence has not been nominated for re-election as a Director at this Annual Meeting consistent with the retirement policy contained in the Company s Corporate Governance Principles that Directors are expected to retire from the Board at the annual meeting following their 70th birthday. Each of the six Director nominees currently serves as a member of the Board. Following is information about the six Directors nominated by the Board for re-election at this Annual Meeting:

RICHARD J. HIPPLE

Age:	62
First Became a Ferro Director:	2007
Current Term Expires:	This Annual Meeting
Common Stock Owned:	60,900 shares
Common Stock Under Option:	0 shares
Committee Assignments:	Compensation Committee (Chair)

Biographical Information:

Mr. Hipple currently serves as the Chairman of the Board, President and Chief Executive Officer of Materion Corporation (formerly known as Brush Engineered Materials Inc.), a manufacturer of high-performance engineered materials. Mr. Hipple has served as Chairman of the Board and Chief Executive Officer of Materion since May 2006 and President of Materion since May 2005. Mr. Hipple was Vice President of Strip Products of Materion from July 2001 until May 2002, when he became President of Alloy Products of Materion. Prior to joining Materion, Mr. Hipple was President of LTV Steel Company, a business unit of the LTV Corporation.

Mr. Hipple also serves as a director of Key Corp., a bank-based financial services company.

GREGORY E. HYLAND

Age:	64
First Became a Ferro Director:	2009
Current Term Expires:	This Annual Meeting
Common Stock Owned:	50,300 shares
Common Stock Under Option:	0 shares
Committee Assignments:	Compensation Committee Governance & Nomination Committee

Biographical Information:

Mr. Hyland currently serves as Chairman, President and Chief Executive Officer of Mueller Water Products, Inc., a leading manufacturer and marketer of products and services used in the transmission, distribution and measurement of water in North America. Mr. Hyland assumed this position in December 2006 when Walter Industries, Inc. divested that business to its shareholders. From September 2005 until December 2006, Mr. Hyland served as Chairman, President and Chief Executive Officer of Walter Industries, Inc. Prior to that time, Mr. Hyland served as President, U.S. Fleet Management Solutions of Ryder System, Inc. from June 2005 to September 2005 and as Executive Vice President, U.S. Fleet Management Solutions of Ryder from October 2004 to June 2005. Mr. Hyland also has held executive positions with Tyco International and Textron Corporation.

JENNIE S. HWANG, Ph.D.

Age:	67
First Became a Ferro Director:	2001
Current Term Expires:	This Annual Meeting
Common Stock Owned:	63,025 shares
Common Stock Under Option:	7,000 shares
Committee Assignments:	Audit Committee Governance & Nomination Committee

Biographical Information:

Dr. Hwang has over 30 years of experience in materials, electronics, chemicals and coatings through her management and/or ownership of businesses. She currently serves as the president of H-Technologies Group, a firm that specializes in providing business and manufacturing solutions to the electronics and microelectronics industry. She was the CEO of International Electronic Materials Corporation (a manufacturing company she founded, which was later acquired). Dr. Hwang has held senior executive positions with Lockheed Martin Corp., Hanson, PLC (SCM Corp.) and The

Sherwin-Williams Company.

She holds four academic degrees (Ph.D., M.S., M.A., B.S.) in materials engineering, science, liquid crystals and chemistry. She has served as Global President of the Surface Mount Technology Association and in other global leadership positions and is an international speaker and author of more than 450 publications and several textbooks on leading technologies, advanced manufacturing and global market thrusts. Dr. Hwang has been inducted into the National Academy of Engineering and International Hall of Fame (Women in Technology).

Dr. Hwang is a board member of 5N Plus, Inc., a Canada-based global supplier of specialty metal and chemical products for pharmaceutical, eco-friendly and advanced industrial applications, and Singapore Asahi Chemical Industries, Pte. Ltd., a Singapore-based chemical company, and she serves on the Board of Army Science and Technology, the Board of National Laboratory Assessment and the National Materials and Manufacturing Board. She also is the Chairman of the Board of Assessment Panels on Army Research Laboratory of the U.S. Department of Defense. Dr. Hwang formerly served on the board of Second Bancorp, Inc.

PETER T. KONG

Age:	64
First Became a Ferro Director:	2012
Current Term Expires:	This Annual Meeting
Common Stock Owned:	26,100 shares
Common Stock Under Option:	0 shares
Committee Assignments:	Audit Committee Governance & Nomination Committee

Biographical Information:

Mr. Kong served as the President of the Global Components business segment for Arrow Electronics, Inc., a global provider of products, services and solutions to industrial and commercial users of electronic components and enterprise computing solutions, until December 31, 2013. Mr. Kong retired from Arrow Electronics, Inc. effective March 31, 2014. Prior to being named President of the Global Components business in May 2009, Mr. Kong served as President of Arrow Electronic, Inc. s Asia-Pacific components business, overseeing strategy and operations in 11 countries and territories in that region.

From 1998 to 2006, Mr. Kong served as President of Asia-Pacific Operations for Lear Corp., a global automotive supplier, where he developed and implemented the company s Asia-Pacific growth strategy. From 1993 to 1998, he was President of MAPS International, Inc., a consulting firm specializing in business development, strategy planning and operations management. Earlier in his career, he held leadership roles with automotive systems supplier Magna International, Inc., as well as Domtar, Inc., and Esso Chemicals.

Mr. Kong holds a master s degree in business administration from the University of Toronto, a master s degree in chemical engineering from the University of Wisconsin and a bachelor s degree in chemical engineering from Washington State University.

Mr. Kong also serves as a director of Kulicke and Soffa Industries, Inc., a semiconductor and LED assembly equipment manufacturer, and Global Advanced Metals Pty Ltd., a leading supplier of tantalum products.

TIMOTHY K. PISTELL

Age:	67
First Became a Ferro Director:	2010
Current Term Expires:	This Annual Meeting
Common Stock Owned:	58,300 shares
Common Stock Under Option:	0 shares
Committee Assignments:	Audit Committee

Biographical Information:

Mr. Pistell served as the Executive Vice President Finance & Administration and Chief Financial Officer of Parker-Hannifin Corporation, a leading diversified manufacturer of motion and control technologies and systems, until his retirement in 2011. Mr. Pistell was appointed the Executive Vice President Finance & Administration in April 2005 and the Chief Financial Officer in April 2003. Prior to his appointment as Chief Financial Officer of Parker-Hannifin, Mr. Pistell served as the company s Vice President Treasurer from July 1993 to April 2003.

Mr. Pistell also serves as a director of Trans-Tech Energy, Inc., a designer, builder, installer and service provider of specialized storage systems for liquefied petroleum gas and natural gas liquids.

PETER T. THOMAS

Age:	59
First Became a Ferro Director:	2013
Current Term Expires:	This Annual Meeting
Common Stock Owned:	898,552 shares
Common Stock Under Option:	357,534 shares

Biographical Information:

Mr. Thomas was appointed President and Chief Executive Officer of Ferro and was elected to the Board in April 2013 after serving as interim President and Chief Executive Officer since November 2012. Mr. Thomas was elected Chairman of the Board in April 2014.

Prior to his appointment as interim President and Chief Executive Officer, Mr. Thomas served as the Operating Vice President of Ferro s Polymer and Ceramic Engineered Materials Group, which included its Polymer Additives, Specialty Plastics, Tile Coatings, Porcelain Enamel, and Pharmaceuticals businesses. Mr. Thomas joined Ferro in 2000 as Director of Sales for Polymer Additives. Prior to joining Ferro, Mr. Thomas was Vice President of the Oleochemical-Derivatives business unit for Witco Corporation. He also held positions at Witco Corporation as Vice President of Sales and Global Market Director.

Mr. Thomas is a member of the International Pharmaceutical Excipients Council, Soap and Detergents Association, the Society of Plastics Engineers, and the American Production and Inventory Control Society. He also serves as a director of the Synthetic Organic Chemical Manufacturers Association.

Dr. Hwang and Messrs. Hipple, Hyland, Kong, Pistell and Thomas have each agreed to stand for re-election. While we have no reason to believe that any of these nominees will be unable or unwilling to serve at the time of the 2015 Annual Meeting, in the unlikely event any of them does not stand for re-election, the shares represented by proxy at the 2015 Annual Meeting may be voted for the election of a substitute nominee named by the Board.

Vote Required

The six nominees who receive the greatest number of votes cast by the shares present, in person or by proxy, and entitled to vote will be elected Directors. The Board has adopted the Policy of the Board of Directors Relating to Majority Voting pursuant to which, in the event of an uncontested election an election in which the number of nominees for director does not exceed the number of directors to be elected a nominee that receives a greater number of votes withheld from his or her election than votes for his or her election is expected to tender to the Governance & Nomination Committee his or her resignation as a director promptly following the certification of the election results. Abstentions and broker non-votes will not be considered as shares voted for or withheld in the election of nominees.

If you return a proxy card without giving specific voting instructions, then your shares will be voted **FOR** the election of Dr. Hwang and Messrs. Hipple, Hyland, Kong, Pistell and Thomas.

If you hold your shares in street name and do not provide specific voting instructions to the bank or broker or do not obtain a proxy from such bank or broker to vote those shares, then your shares will not be voted in the election of Directors.

Board Recommendation

The Board unanimously recommends that you vote **FOR** the election of each of Dr. Hwang and Messrs. Hipple, Hyland, Kong, Pistell and Thomas. Unless you instruct otherwise on your proxy card or by telephone or Internet voting instructions, your proxy will be voted in accordance with the Board s recommendation.

Directors Continuing in Office

The following are the Directors who will continue in office after the 2015 Annual Meeting:

DAVID A. LORBER

Age:	36
First Became a Ferro Director:	2013
Current Term Expires:	2016
Common Stock Owned:	36,128 shares
Common Stock Under Option:	0 shares
Committee Assignments:	Governance & Nomination Committee

Biographical Information:

Mr. Lorber is a Co-Founder of FrontFour Capital Group LLC, an investment adviser, and has served as a Portfolio Manager since January 2007. He is also a Co-Founder and Principal of FrontFour Capital Corp., an investment adviser. Previously, Mr. Lorber was a Senior Investment Analyst at Pirate Capital LLC, a hedge fund, from 2003 to 2006. He was an Analyst at Vantis Capital Management LLC, a money management firm and hedge fund, from 2001 to 2003 and an Associate at Cushman & Wakefield, Inc., a global real estate firm, from 2000 to 2001.

Mr. Lorber formerly served as a director of GenCorp Inc., a technology-based manufacturer of aerospace and defense products and systems with a real estate segment. Mr. Lorber also formerly served as a director of Huntingdon Capital Corp., a real estate company, and Fisher Communications Inc., a media company acquired by Sinclair Broadcast Group, Inc. in August 2013.

JEFFRY N. QUINN

Age:	56
First Became a Ferro Director:	2013
Current Term Expires:	2016
Common Stock Owned:	366,400 shares
Common Stock Under Option:	0 shares
Committee Assignments:	Compensation Committee

Biographical Information:

Mr. Quinn is the founder, Chairman and Chief Executive Officer of Quinpario Partners LLC, a privately owned investment and operating company focused on the specialty chemicals and performance materials sector, and, as of September 2014, the Chairman of the Board of Directors of Quinpario Acquisition Corp. 2, a special purpose acquisition company formed in July 2014. Mr. Quinn has over 25 years of experience with industrial companies in the areas of mining, refining and chemicals, including as President, Chief Executive Officer and Chairman of the Board of Solutia Inc., a global specialty chemical and performance materials company. At Solutia, Mr. Quinn served from May 2004 as the President and Chief Executive Officer and from February 2006 in the additional role of Chairman of the Board until 2012 when Solutia was acquired by Eastman Chemical Company.

Mr. Quinn has also served as Chairman of the Board of Jason Industries, Inc., a leader in the finishing, seating, components and automotive acoustics markets, since July 2014 and as a director of Tronox Limited, a producer and marketer of titanium ore and titanium dioxide pigment, and W.R. Grace & Co., a supplier of catalysts, engineered and packaging materials and specialty construction chemicals and building materials. Mr. Quinn formerly served as a director of SunEdison, Inc. (formerly MEMC Electronic Materials Inc.) and Tecumseh Products Company.

RONALD P. VARGO

Age:	61
First Became a Ferro Director:	2009
Current Term Expires:	2016
Common Stock Owned:	55,300 shares
Common Stock Under Option:	0 shares
Committee Assignments:	Audit Committee (Chair) Compensation Committee

Biographical Information:

Mr. Vargo served as Vice President and Chief Financial Officer of ICF International, a leading provider of consulting services and technology solutions to government and commercial clients, from April 2010 until May 2011. Prior to joining ICF International, Mr. Vargo served as the Executive Vice President and Chief Financial Officer of Electronic

Data Systems (EDS) and served as a member of the EDS Executive Committee. Mr. Vargo joined EDS in 2004 as Vice President and Treasurer and was promoted to Chief Financial Officer in 2006. Before joining EDS, Mr. Vargo served as Corporate Treasurer and Vice President of Investor Relations at TRW Inc., now part of Northrop Grumman, until 2003. He began his career with General Electric in 1976 and also served in numerous leadership positions at BP plc (BP) and the Standard Oil Company, which was acquired by BP.

Mr. Vargo also serves as a director of EPAM Systems, Inc., a global IT services provider.

Board Meetings and Attendance

During 2014, the Board met nine times and each Director attended at least 75% of the total number of meetings of the Board and the committees on which he or she served. In accordance with Ferro s Corporate Governance Guidelines, the Directors are encouraged to attend the Annual Meetings of Shareholders. All of the Directors attended the 2014 Annual Meeting.

CORPORATE GOVERNANCE

Corporate Governance

The Board of Directors and management believe that good corporate governance enhances investor confidence in Ferro and increases shareholder value. Representative steps Ferro has taken to fulfill its commitment to good corporate governance include, among others:

- The Board has long followed, both formally and informally, corporate governance principles designed to ensure that the Board, through its membership, composition and committee structure, is able to provide informed, competent and independent oversight of the Company;

- All of the non-management members of the Board are independent under Ferro s Guidelines for Determining Director Independence, which meet or exceed the independence standards set forth by the NYSE. Only one member of the Board is a member of Company management;

- All members of the Audit Committee, Compensation Committee, and Governance & Nomination Committee are independent under Ferro s Guidelines for Determining Director Independence, which meet or exceed the independence standards set forth by the NYSE;

- The non-management members of the Board met on multiple occasions without the presence of management after the Board s meetings held during 2014;

- The Audit Committee, Compensation Committee, and Governance & Nomination Committee also met without the presence of management on multiple occasions during 2014;

- The Board has adopted a majority voting policy in uncontested elections that requires a director to tender his or her resignation if he or she does not receive a majority of votes FOR his or her election;

- Each committee of the Board has a charter that clearly defines the committee s role and responsibilities;

- All Directors, officers and employees are responsible for complying with Ferro s policies on business conduct and ethics;

- The Board has implemented a Clawback Policy authorizing the Compensation Committee to recoup incentive-based compensation resulting from a material misstatement of financial results;

- Ferro has a hotline available to all employees and our Audit Committee has procedures in place for the anonymous submission of employee complaints on accounting, internal accounting controls and auditing matters to encourage employees to report questionable activities to the legal department and Audit Committee;

- Ferro s internal audit function maintains critical oversight over key areas of Ferro s business and financial processes and controls, and reports directly to the Audit Committee;

- Ferro s independent registered public accounting firm reports directly to the Audit Committee;

- The Compensation Committee s compensation consultant does not provide any additional services to Ferro other than those provided to the Compensation Committee;

- o Ferro has established procedures for shareholders to communicate directly and confidentially with the Lead Director or the non-management Directors;

- o Each Director on the Board owns shares of Common Stock; and

- o A portion of Director fees is paid in deferred stock units that must be held until the Director ceases to serve on the Board.

In addition, the Company s Amended and Restated Code of Regulations was amended to opt out of the Ohio Control Share Acquisition Statute and to declassify the Board and elect all Directors annually.

Corporate Governance Principles

The Board has adopted Corporate Governance Principles, which are available on Ferro s website (www.ferro.com) and are intended to ensure that Ferro s Director qualifications, committee structure and overall Board processes facilitate good corporate governance and independent oversight of the Company s management.

Director Independence

The Board has also adopted formal Guidelines for Determining Director Independence, which are available on Ferro s website (www.ferro.com). The purpose of these Guidelines is to assist the Board in its evaluation of and determination regarding the independence of members of the Board. The Guidelines meet or exceed the standards set forth in section 303A of the NYSE listing standards, and the Board has determined that all Directors and Director nominees, other than Mr. Thomas, recommended by the Board qualify as independent under such Guidelines.

Majority Voting Policy

The Board has adopted the Policy of the Board of Directors Relating to Majority Voting (the Majority Voting Policy). Pursuant to the Majority Voting Policy, in the event of an uncontested election an election in which the number of nominees for Director does not exceed the number of Directors to be elected where a nominee for Director receives more votes withheld from his or her election than votes for his or her election, such Director is expected to tender to the Governance & Nomination Committee his or her resignation as a Director. The Governance & Nomination Committee of the Board will then consider each resignation tendered and recommend to the Board whether to accept or reject it. If the Board rejects the Director s resignation, the Director will continue to serve for the remainder of his or her term and until his or her successor is duly elected, or his or her earlier death, resignation or removal. If the Board accepts the Director s resignation, then the Board in its sole discretion may fill any resulting vacancy or may decrease the number of Directors comprising the Board. The Governance & Nomination Committee, in making its recommendation, and the Board, in making its decision, may consider any factors or other information that they consider appropriate.

Board Committees

The Board of Directors currently has three standing committees, which are the Audit Committee, the Compensation Committee, and the Governance & Nomination Committee. The Strategy Committee was disbanded in 2014.

Audit Committee

The Audit Committee assists the Board with oversight of the integrity of Ferro s financial statements, compliance with legal and regulatory requirements relating to Ferro s financial reports,

Ferro s independent registered public accounting firm s qualifications, independence and performance, the performance of the internal audit and risk management functions, compliance with legal and ethical policies and accounting practices and systems of internal controls. The Audit Committee is not, however, responsible for conducting audits, preparing financial statements or the accuracy of any financial statements or filings, all of which remain the responsibility of management and the Company s independent registered public accounting firm. The Audit Committee s charter may be found on Ferro s website (www.ferro.com).

Dr. Hwang and Messrs. Kong, Pistell and Vargo served on the Audit Committee throughout 2014, with Mr. Vargo serving as the Chair. Each member of the Audit Committee is independent as required under section 301 of the Sarbanes-Oxley Act of 2002, as well as under the standards contained in section 303A of the NYSE s listing standards and the Company s Guidelines for Determining Director Independence. Two members of the Audit Committee qualify as audit committee financial experts, as defined in section 407 of the Sarbanes-Oxley Act and the SEC s rules under that statute, and offered to be designated as such. The Board has designated Mr. Vargo as the audit committee financial expert. (Mr. Vargo s biography is on page 9 above.) Each member of the Audit Committee has the requisite financial literacy required under section 303A of the NYSE listing standards to serve on the Audit Committee.

The Audit Committee met eight times in 2014. The Audit Committee s report is on page 52 below.

Compensation Committee

The Compensation Committee is responsible for recommending policies for the compensation of Directors and setting the compensation of the Senior Management Committee, which is comprised of the Company s executive officers. The Compensation Committee also oversees management s administration of significant employee compensation and benefit plans. The Compensation Committee s charter may be found on Ferro s website (www.ferro.com).

Messrs. Hipple, Hyland, Lawrence, Quinn and Vargo served on the Compensation Committee throughout 2014, with Mr. Hipple serving as the Chair. Each member of the Compensation Committee is independent under the standards contained in section 303A of the NYSE s listing standards and the Company s Guidelines for Determining Director Independence.

The Compensation Committee met four times in 2014. The Compensation Committee s report is on page 31 below.

The Compensation Committee retained Exequity LLP (the Compensation Consultant) to serve as its compensation consultant in 2014. The Compensation Consultant assisted with the design of pay plans and with reviewing the effectiveness and competitiveness of the Company s compensation programs. The Compensation Consultant provided the Compensation Committee and management with market data on the compensation programs of peer companies. The Compensation Consultant did not provide any other services to the Company. To ensure that the Compensation Consultant s consulting services remain independent and objective, the Compensation Committee and the Compensation Consultant have taken the following steps: (i) the Compensation Consultant reported directly to the Compensation Committee Chair; (ii) at least annually, the Compensation Committee conducts a review of the Compensation Consultant s performance; and (iii) the Compensation Consultant s fees were not linked to the size of the Company s executive compensation programs. The Compensation Committee has reviewed the independence of the Compensation Consultant, including the independence factors contained in section 303A of the NYSE s listing standards, and determined that the services provided by the Compensation Consultant do not raise any conflicts of interest.

The Chief Executive Officer (CEO) and Vice President, Human Resources make recommendations regarding compensation of the Senior Management Committee (other than for the CEO) based on competitive market data, internal pay equity, responsibilities and performance. The Compensation Committee makes all final determinations regarding executive compensation, including salary, bonus targets, equity awards, and related performance goals. From time to time, the Compensation Committee delegates to the CEO and Vice President, Human Resources authority to carry out certain administrative duties regarding the compensation programs, including grants of equity awards to non-executive employees and new hires. For more information on how executive compensation decisions are made, see the Executive Compensation Discussion & Analysis section beginning on page 19 below.

Governance & Nomination Committee

The Governance & Nomination Committee is responsible for recommending to the Board corporate governance principles, overseeing adherence to the Corporate Governance Principles adopted by the Board, recommending to the Board criteria and qualifications for new Board members, recommending to the Board nominees for election as Directors and recommending to the Board the composition and chairs of each committee. The Governance & Nomination Committee s charter may be found on Ferro s website (www.ferro.com).

Dr. Hwang and Messrs. Hyland, Kong, Lorber and Lawrence served on the Governance & Nomination Committee throughout 2014. Mr. Lawrence served as the Chair until April 2014 and thereafter Mr. Hyland served as the Chair. All members of this Committee meet the independence standards contained in section 303A of the NYSE s listing standards and the Company s Guidelines for Determining Director Independence.

The Governance & Nomination Committee met three times in 2014.

In its role as the nominating body for the Board, the Governance & Nomination Committee reviews the credentials of potential Director candidates (including potential candidates recommended by shareholders), conducts interviews, and makes formal recommendations to the Board for the annual and any interim election of Directors. In making its recommendations, pursuant to the Company s Corporate Governance Principles, the Governance & Nomination Committee considers a variety of factors, including skills, independence, background, experience, diversity, and compatibility with existing Board members. The Governance & Nomination Committee may also consider such other factors as it deems appropriate in the best interests of the Company and its shareholders.

The Governance & Nomination Committee identifies nominees by first evaluating the current members of the Board willing to continue in service. If any Board member is of retirement age or does not wish to continue in service, or if the Governance & Nomination Committee or the Board decides not to nominate a member for re-election, then the Committee identifies the desired skills and experience that it would like Director candidates to have in light of the criteria outlined above. The Governance & Nomination Committee then considers potential Director candidates that may be recommended by the Board, senior management, shareholders and consultants. All candidates, regardless of the source of the recommendation, are considered in the same manner.

The Governance & Nomination Committee considered each Director s leadership experience, specific industry or manufacturing experience, and familiarity with global operations. The Directors hold or have held executive officer positions or serve or have served on boards of directors in organizations that have provided them experience in operations, management, risk management, governance and leadership development. The Board and the Governance & Nomination Committee believe that these skills and qualifications, combined with diverse backgrounds and the ability to work in a positive and collegial fashion, benefit Ferro and Ferro s shareholders by creating a strong and effective Board. Set forth below are qualifications with respect to each Director nominee and continuing member of the Board:

Mr. Hipple has leadership and management experience with a business that produces and supplies high performance engineered materials globally. Mr. Hipple currently serves as chairman of the board, chief executive officer and president of a publicly traded company. He provides the Board with insight and experience leading an international public company comparable in size to Ferro. He also brings experience serving on the board of directors of other publicly traded companies.

Dr. Hwang has more than three decades of international business experience in materials, electronics, manufacturing, technology, chemicals and coatings through her management and/or ownership of businesses. She has served in a number of senior management positions, including president and chief executive officer, and has specialized knowledge of the materials industry. In addition, she has served on international advisory boards and the boards of both public and private companies. Dr. Hwang also brings to the Ferro Board her experience serving on other public company boards.

Mr. Hyland has comprehensive operations, sales and international experience in multiple industries, offering breadth of knowledge that benefits the Company s business units. In addition, Mr. Hyland brings to the Board experience serving as the chairman, chief executive officer and president of another publicly traded company that sells, as Ferro does, into the building and construction industry.

Mr. Kong brings to the Board extensive international business and operations experience, including a deep understanding of the Asian and international business environment as a result of having lived and worked in Asia for several years. His experience includes business development, distribution, and operations management, including with businesses in the chemicals, automotive and electronic industries. Mr. Kong has served in a number of senior management positions in global companies and formerly oversaw a publicly traded company s components business. He also brings experience from serving on other public company boards.

Mr. Lorber has significant financial, investment and real estate industry experience. He also brings to the Board experience in corporate governance and business oversight as a result of having served on other public company boards.

Mr. Pistell has extensive experience in corporate finance, treasury, international business and diversified manufacturing. In addition, Mr. Pistell has served in a number of senior management positions in accounting and finance including as the chief financial officer of a publicly traded global company.

Mr. Quinn has more than 25 years of experience with industrial companies. He has served in a number of senior management positions, including as president and chief executive officer, and has served as chairman of the board of a publicly traded chemical and materials company. In addition, Mr. Quinn serves as a member of the board of directors of other publicly traded companies.

Mr. Vargo has extensive experience in treasury, investor relations, business strategy, acquisitions and divestitures, finance, and operations in global corporations. In addition, Mr. Vargo has served in senior management positions at publicly traded companies, including as the chief financial officer of two publicly traded companies. Mr. Vargo also serves as a member of the board of another publicly traded company.

The Governance & Nomination Committee will consider candidates for Director who are recommended by shareholders in accordance with the advance notice provisions in the Company s Code of Regulations. Shareholder recommendations must be submitted in writing to: Secretary, Ferro Corporation, 6060 Parkland Boulevard, Suite 250, Mayfield Heights, Ohio 44124 USA, not less than 90 nor more than 120 calendar days prior to the first anniversary of the date of the preceding year s annual meeting of shareholders. The recommendation notice should include the information required by the Company s Amended and Restated Code of Regulations, including, but not limited to, (a) certain biographical and share ownership information concerning the nominee and the shareholder proponent, (b) a description of any arrangements between the shareholder proponent (and certain affiliates) and any other person or entity with respect to the nomination, including the nominee, and (c) a written consent of the nominee to serve as a director of the Company, if elected, and a representation regarding the nominee s voting commitments or actions as a director, as well as that the nominee will comply with the Company s corporate governance and other policies, principles and guidelines. The Company may also require a candidate to furnish additional information regarding his or her eligibility and qualifications.

Strategy Committee

The Board established the Strategy Committee in May 2013 to assist the Board in evaluating strategies to enhance total shareholder return, including optimizing the Company s capital structure, reviewing strategic proposals, reviewing the Company s mix of businesses and improving operating performance. Messrs. Lawrence, Lorber, Pistell, Quinn and Vargo served on the Strategy Committee since its creation in May 2013, with Mr. Pistell serving as the Chair. The Board disbanded the Strategy Committee in June 2014.

The Strategy Committee met once in 2014 before the Board disbanded it.

Board Leadership Structure

Ferro s board leadership structure consists of a combined CEO and Chairman of the Board and a Lead Director. During the period of time that Mr. Thomas served as interim President and CEO, Mr. Lawrence served as the Chairman of the Board; however, in April 2014, Mr. Thomas was named Chairman of the Board. Ferro believes that a combined CEO and Chairman of the Board role is appropriate because it provides an efficient and effective leadership structure for Ferro. It promotes alignment between the Board and management on Ferro s strategic objectives, facilitates effective presentation of information to enable the Board of Directors to fulfill its responsibilities, and allows for productive and effective Board of Directors meetings.

Ferro s non-management Directors, all of whom are independent, meet at regularly scheduled executive sessions several times each year. These meetings are chaired by the Lead Director. Neither the CEO nor any other member of management attends these meetings except in limited circumstances if requested by the Directors. Following each executive session, the Lead Director or the other non-management Directors share with the CEO or other members of senior management such observations, comments or concerns as the Lead Director and the other non-management Directors deem appropriate. Mr. Hyland, the Chair of the Governance & Nomination Committee, currently serves as the Lead Director.

The independent Directors have access to Ferro management as they deem necessary or appropriate, consistent with the Company s Corporate Governance Principles. In addition, the Chairs of the Audit Committee, Governance & Nomination Committee, and Compensation Committee meet periodically with members of senior management.

The Board continues to reexamine the Company s corporate governance policies and leadership structure on an ongoing basis.

Board s Role in Risk Management Oversight

The Board provides oversight of the Company s risk management through its review of risks associated with the Company s operations and strategic initiatives, both as a Board, and, as appropriate, through Board Committees. The Audit Committee has the central role in risk management oversight. The Board receives periodic reports from the Audit Committee with respect to its discussions with management regarding Ferro s guidelines and policies governing the assessment and management of risks, any major risk exposures and steps management has taken to monitor and control such exposures, and Ferro s use of certain financial instruments. Management uses an enterprise risk management process to identify, assess, manage and mitigate risks to the Company. The CEO, Chief Financial Officer (CFO), Chief Risk Officer and General Counsel of the Company each periodically report to the Audit Committee with respect to risk management. In addition, the CFO and Treasurer each periodically report to the Audit Committee with respect to financial risk management and Ferro s use of certain financial instruments. With respect to risk related to compensation matters, the Compensation Committee considers, in establishing and reviewing Ferro s executive compensation program, whether the program encourages unnecessary or excessive risk-taking. The Compensation Committee also periodically reports to the Board.

Other Corporate Governance Measures

Ferro has adopted a series of policies dealing with business conduct and ethics. These policies apply to all Ferro Directors, officers and employees. A summary of these policies may be found on Ferro s website (www.ferro.com), and the full text of the policies is available in print, free of charge, by writing to: Secretary, Ferro Corporation, 6060 Parkland Boulevard, Suite 250, Mayfield Heights, Ohio 44124 USA. The Audit Committee is responsible for the review of the Company s legal and ethical policies. The Audit Committee must approve any exception or waiver to these policies. In addition, a description of any exception, amendment or waiver to these policies with respect to the CEO, the CFO and the Company s principal accounting officer, controller or persons performing similar functions will be posted on the Company s website within four business days following the date of the exception, amendment or waiver. Ferro also maintains a hotline that allows employees throughout the world to report confidentially violations of the Company s legal and ethical conduct policies, consistent with local legal requirements and subject to local legal limitations. In addition, the Governance & Nomination Committee is responsible for reviewing and approving any related party transaction. Any shareholder or other interested party who wishes to communicate directly and confidentially with the Lead Director or the non-management Directors as a group may contact the non-management Directors at the following website: www.ferrodirectors.com. The non-management Directors will handle such communications with appropriate confidentiality.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Stock Ownership by Directors and Executive Officers

Ferro encourages share ownership by its Directors and executive officers and has ownership guidelines as described in the Executive Compensation Discussion & Analysis. The information below shows beneficial ownership of Common Stock by (i) each Director, (ii) each executive officer named in the Summary Compensation Table on page 32 below, and (iii) all Directors and current executive officers as a group. Except as otherwise noted, each person has sole voting and investment power as to his or her shares of Common Stock. The information set forth below is as of March 16, 2015.

	Shares of Common Stock Owned Directly or Indirectly	Shares of Common Stock Underlying Options or Deferred Stock Units Exercisable Within 60 Days of Record Date	Total Shares of Common Stock	Percentage of Outstanding Common Stock
Directors				
Richard J. Hipple[(1)]	53,300	7,600	60,900	*
Jennie S. Hwang[(1)]	55,425	14,600	70,025	*
Gregory E. Hyland[(1)]	42,700	7,600	50,300	*
Peter T. Kong[(1)]	18,500	7,600	26,100	*
William B. Lawrence[(1)]	65,670	14,600	80,270	*
David A. Lorber[(1)]	28,528	7,600	36,128	*
Timothy K. Pistell[(1)]	50,700	7,600	58,300	*
Jeffry N. Quinn[(1)(3)]	358,800	7,600	366,400	*
Peter T. Thomas[(2)]	119,818	357,534	477,352	*
Ronald P. Vargo[(1)]	47,700	7,600	55,300	*
Officers Named in Summary Compensation Table				
Jeffrey L. Rutherford[(2)]	106,500	101,700	208,200	*
Mark H. Duesenberg[(2)]	63,835	207,167	271,002	*
Ann E. Killian[(2)]	68,547	208,200	276,747	*
13 Directors and Executive Officers as a Group[(4)]	1,080,023	957,001	2,037,024	2.33%

* Less than 1 percent.

(1) Amounts reported include shares held on behalf of each Director under the Ferro Director Deferred Compensation Plan because the Directors have the ability to direct the voting of shares held in such plan. Amounts reported include 7,600 deferred stock units that would be converted into shares of Common Stock if the director ceased to serve as a director; however, the deferred stock units have no current voting rights.

(2) Shares of Common Stock reported above do not include (i) 267,280, 79,800, 60,900 and 50,100 restricted share units awarded to Messrs. Thomas, Rutherford and Duesenberg and Ms. Killian, respectively, (ii) 439,430, 141,100, 110,100 and 88,600 performance share units awarded to Messrs. Thomas, Rutherford and Duesenberg and Ms. Killian, respectively, or (iii) 123,806 phantom shares held for the accounts of Messrs. Thomas, Rutherford and Duesenberg and Ms. Killian in the Supplemental 401(k) Plan.

(3) Includes 350,000 shares of Common Stock owned by Quinpario Partners LLC (Quinpario). Mr. Quinn, as the Chairman and Chief Executive Officer of Quinpario, may be deemed to beneficially own the shares of Common Stock owned by Quinpario.

(4) Shares reported above do not include 458,080 restricted share units awarded to the executive officers, 779,230 performance share units awarded to the executive officers or 129,691 phantom shares held for the accounts of the executive officers in the Supplemental 401(k) Plan.

Stock Ownership by Other Major Shareholders

The following table sets forth information about each person known by us to be the beneficial owner of more than 5% of Ferro s outstanding Common Stock.

Name and Address of Beneficial Owner	Nature and Amount of Beneficial Ownership (Shares of Common Stock)	Percentage of Outstanding Common Stock
Mario J. Gabelli and related entities[1] One Corporate Center Rye, New York 10017	13,188,283	15.16%
FMR LLC[2] 245 Summer Street, Boston, Massachusetts 02210	13,047,884	14.99%
The Vanguard Group[3] 100 Vanguard Boulevard Malvern, Pennsylvania 19355	5,979,899	6.87%

(1) We obtained the information regarding the share ownership of Mario Gabelli and related entities from the Schedule 13D/A filed February 24, 2015, by Gabelli Funds, LLC, which reported sole voting power as to 13,814,887 shares of Common Stock and sole dispositive power as to 13,988,487 shares of Common Stock as of February 24, 2015.

(2) We obtained the information regarding share ownership from the Schedule 13G/A filed February 13, 2015, by FMR, LLC and related entities, which reported sole voting power as to 1,824,224 shares of Common Stock and sole dispositive power as to 13,047,884 shares of Common Stock as of December 31, 2014.

(3) We obtained the information regarding share ownership from the Schedule 13G/A filed February 10, 2015, by The Vanguard Group, which reported sole voting power as to 109,130 shares of Common Stock, sole dispositive power as to 5,877,169 shares of Common Stock and shared dispositive power as to 102,730 shares of Common Stock as of December 31, 2014.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and Directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, Directors and greater than ten percent shareholders are required by SEC regulation to furnish Ferro with copies of all Section 16(a) forms they file.

To Ferro s knowledge, based solely on review of the copies of such reports furnished to Ferro, during the fiscal year ended December 31, 2014, or with respect to such fiscal year, all Section 16(a) filing requirements were met.

EXECUTIVE COMPENSATION DISCUSSION & ANALYSIS

Set forth below is a description of the process by which the Company, through its Compensation Committee, sets the compensation of its Chief Executive Officer, Chief Financial Officer and the two other members of the Senior Management Committee for 2014 (each a named executive officer).

Executive Summary 2014 Company Performance

The Company continued to execute its value creation strategy implemented in the latter part of 2012, resulting in improved competitiveness and profitability. In addition, the Company made significant progress transforming into a focused performance materials and color solutions company by divesting the majority of its organic chemicals-based product lines. The plastics business assets were divested on July 1 and the North American polymer additives assets were divested on December 19, better positioning the company for the growth-oriented phase of its strategy.

Moving into its growth phase, the Company expects to increase sales and profitability by introducing new products and expanding its business through value-creating investments. New product sales delivered over $67 million of revenue in 2014. In addition, on December 1, 2014, the company acquired Vetriceramici S.p.A., a leading supplier of ceramics coatings to high-end tile manufacturers.

Net sales for 2014 were $1.1 billion compared with net sales of $1.2 billion in 2013. Of the decline, $74.7 million related to the sale of the North American and Asia metal powders businesses and the exit of solar pastes. Foreign currency rates adversely impacted sales by an estimated $20 million. Excluding these items, sales from continuing operations increased by approximately 2.0%. Gross profit increased by $7.4 million compared with 2013, primarily due to increased sales and gross profit in the Performance Colors and Glass segment. As a percentage of net sales, excluding precious metals, the gross profit rate increased to 26.8% from 25.4% in 2013.

Return on invested capital from continuing operations for 2014 was 9.6%, including one month of operating results from Vetriceramici and the invested capital associated with the acquisition. Adjusting to exclude Vetriceramici, return on invested capital from continuing operations was 11.3% compared with 7.5% for the full year 2013.

Say-on-Pay

The Compensation Committee considered the most recent say-on-pay non-binding shareholder advisory vote held in April 2014 regarding the named executive officers 2013 compensation to be supportive of the Company s pay practices. Approximately 95% of shareholders who cast a vote on our say-on-pay proposal voted in favor of our named executive officer compensation for 2013. The Compensation Committee considered the outcome of the most recent say-on-pay vote and shareholder perspectives shared with management and concluded that neither suggested a need for consideration of any significant changes to compensation practices for 2015.

Implications of 2014 Performance on 2014 Pay

The Company s compensation plans have been designed with strong linkage between the financial performance of the Company and the payouts made to executive officers. The Annual Incentive Plan (AIP) is structured to deliver incentive payouts at the 50th percentile of the competitive market for achievement of target financial performance. The financial AIP goals are established based on the budget in the annual operating plan approved by the Board of Directors and, for 2014, determined 90% of an executive s AIP opportunity. For 2014, the financial goals for all executive officers were Company operating profit and cash flow. Achievement of strategic personal performance goals accounted for 10% of an executive s AIP payment.

Results for the AIP financial metrics exceeded the operating plan target for operating profit and the established maximum for cash flow. Consequently, annual cash compensation paid to executive officers for 2014 exceeded individual target levels and generally was above market median, consistent with the plan design of delivering rewards that are above market median for performance that exceeds targeted results.

In December of 2013, the Compensation Committee reviewed the configuration of the long-term incentive program for executive officers, and decided to continue delivering long-term incentive awards consisting of 50% in performance share units, 30% in stock options and 20% in restricted share units. Further reinforcing the pay for performance relationship and the financial goals associated with the Company s value creation strategy, the metrics chosen for the performance share unit grants for the 2014-2016 period were 2016 return on invested capital, weighted at 70%, and cumulative cash flow, weighted at 30%.

Consistent with the methodology followed in 2013, the number of shares granted on February 20, 2014 was calculated based on the average closing stock price during the prior calendar month. The use of an average stock price mitigates the possibility that a significant one-day change in stock value will have a material impact on the number of stock options or share awards granted. For 2014 grants, the average closing price during the month of January 2014 used to determine the awards was $13.03 and the actual grant date share price reported in the Summary Compensation Table (SCT) was $13.09.

Other Governance Features of the Executive Compensation Program

In addition to its pay for performance character, the integrity of the Company s executive compensation program is reinforced by the following:

- Executive officers do not receive perquisites such as financial counseling, tax preparation, company cars, club memberships, personal use of company aircraft or other allowances.

- Non-qualified plans do not provide for any premium or guaranteed investment returns.

- Executive officers are subject to stock ownership guidelines.

- No executive officer is covered by an employment agreement. A severance policy adopted in 2010 provides for payments consistent with market practices of peer companies.

- Effective in 2010, change-in-control agreements covering new executives were amended to eliminate tax gross-up and modified single trigger provisions.

- Effective in 2011, no employees or directors are permitted to hedge their equity-based compensation awards or the value of the securities they hold.

Effective in 2012, a Clawback Policy was implemented authorizing the Compensation Committee to recoup incentive-based compensation resulting from a material misstatement of financial results.

The 2013 Omnibus Incentive Plan, approved by shareholders on May 22, 2013, incorporates a double-trigger provision for vesting of equity awards in the event of a change in control.

On an annual basis, the Compensation Committee reviews comprehensive tally sheets, illustrating the total compensation for the most recent three years for each executive officer.

The compensation program rewards executives for the long-term, sustainable value creation of the Company.

Generally, restricted share units vest three years from the date of grant and once vested are subject to an additional two-year holding period.

Long-term incentives (that align management and shareholder interests) comprise a large percentage (44%-63% in 2014) of named executive officer target compensation.

Executive Compensation Philosophy and Guiding Principles

Ferro is committed to the following guiding principles in the design of its executive compensation program.

Attract, Retain, and Align: Provide a total compensation opportunity that will attract and retain an experienced and high-performing senior management team, and direct their efforts toward the achievement of the Company s financial goals and generation of shareholder value;

Reward Achievement: Maintain a strong pay for performance character by aligning rewards with proven financial results and changes in shareholder value so that exceptional achievements generate exceptional pay and performance below targets yield compensation that is below market medians; and

Remain Competitive: Target aggregate expenditures for each compensation element at the 50th percentile of competitive market practices, which includes peer companies as well as other organizations that participate in a similar industry and have comparable revenues.

Oversight of Executive Compensation

Compensation Committee: The Compensation Committee of the Board (the Committee) is responsible for establishing, implementing and monitoring adherence to the Company s compensation philosophy for the CEO and the other members of the Senior Management Committee. The Committee sets the compensation of the Company s executive officers, recommends to the Board compensation for the Directors and oversees management s administration of the other significant employee compensation and benefit plans. In carrying out its oversight responsibilities, the Committee is supported by an external executive compensation consultant and management. The Committee has the sole authority to retain (and terminate) any consultants used to evaluate the Company s executive management compensation.

Management: Management of the Company supports the Committee in its assessment of executive compensation, implements decisions made by the Committee and ensures the Company s compensation plans are administered in accordance with the provisions of the plans. The CEO and Vice President of Human Resources participate in an advisory capacity in the Committee s meetings, including the annual compensation review in February each year, provide the Committee with data and analyses and make recommendations with respect to awards to members of the Senior Management Committee, excluding the CEO. The Committee makes its decisions with respect to the compensation of the CEO in executive session, without the presence of management.

Independent Compensation Consultant: The Committee has retained Exequity LLP, an independent Compensation Consultant, to advise on executive compensation matters. The Compensation Consultant reports directly to the Committee and provides expertise to the Committee and management on the design of appropriate executive compensation plans, analysis of the effectiveness of existing plans and the market-competitiveness of base salary, annual incentive levels and long-term incentive awards. The Compensation Consultant also provides advice to the Committee and management on the competitive elements of the pay program for non-employee Directors. The Compensation Consultant did not provide any additional services to the Company during 2014. The Committee conducted a conflicts of interest assessment and no conflict of interest was identified.

Components of Executive Compensation

Total Rewards	
Annual Cash	***Long-term Incentives***
- Base Salary	- Stock Options
- Annual Incentives	- Restricted Share Units
	- Performance Share Units
Other Benefits	
- Retirement Benefit - 401(k) Plan	- Deferred Compensation Plan
- Retirement Benefit - Supplemental 401(k) Plan	- Change in Control Agreements

Base Salary: An executive s base salary is cash compensation that is generally not at risk and is paid to the executive regardless of the performance of the Company in a particular year. The amount of base salary is reviewed on an annual basis and adjusted, if warranted, to reflect scope of responsibilities, individual performance, and external market conditions. The Company targets its base salary expenditures at the 50th percentile of the competitive market and considers factors such as performance and experience, internal pay equity, and scope and influence of the position in setting an individual s base salary and overall compensation level. This helps ensure the Company s ability to compete in the market for executive talent while maintaining fixed compensation costs at levels that are comparable to other companies of similar size.

Annual Incentives: The Company s AIP provides an executive with an opportunity to earn additional cash compensation based upon the achievement of pre-determined Company financial and strategic personal performance goals for the year. The AIP is designed to deliver incentive payouts at the 50th percentile of the competitive market for achievement of target performance levels. Target incentive opportunities, performance metrics, and performance goals are established by the Committee after reviewing and discussing management s recommendations and are communicated to participants near the beginning of each year. Generally, the AIP operates as described below.

o The financial AIP goals are linked to the financial goals in the annual operating plan approved by the Board of Directors and account for 90% of an executive s 2014 bonus opportunity. Strategic personal performance goals, weighted at 10% in 2014, are established at the beginning of the year and are closely linked to the Company s business and strategic objectives.

o At the Committee s discretion, AIP payments earned by the CEO and each Senior Management Committee member related to established financial goals may be adjusted upward or downward by as much as 20% to reflect individual performance in a given year.

o In addition, the Committee may adjust AIP performance results to account for certain special charges in exceptional or extraordinary circumstances where the effects of the item are auditable.

For purposes of the exception to the limitation on the tax deductibility of compensation under Section 162(m) of the Internal Revenue Code, funding for AIP is formulated and is a function of

Gross Profit. In 2014, the maximum amount available to pay to our Named Executive Officers was 1.5% of Gross Profit, defined as net sales less total cost of sales, for the fiscal year ended December 31, 2014. The maximum award for Mr. Thomas, as the Chief Executive Officer, was 55% of this pool, and the maximum amount that could be paid to each of the remaining named executive officers, other than Mr. Rutherford, was 15% of the pool. In addition, individual annual award amounts are limited to $4 million as provided in the 2013 Omnibus Incentive Plan.

Long-Term Incentives: In May 2013, the Company s shareholders approved the 2013 Omnibus Incentive Plan (the 2013 LTIP). The 2013 LTIP replaced the 2010 Long-Term Incentive Compensation Plan (the 2010 LTIP). (The 2010 LTIP and the 2013 LTIP constitute the Company s Long-Term Incentive Plan and are collectively referred to as the LTIP in this Compensation Discussion & Analysis.) LTIP grants in 2014 were made under the authority of the 2013 LTIP. The Company also has outstanding option awards under the 2003 Long-Term Incentive Plan and 2006 Long-Term Incentive Plan.

o The LTIP is a critical component of the compensation program. It is designed to promote Ferro s long-term financial interests and growth, to attract, motivate, and retain key employees, and to align their interests with those of the Company s shareholders. The LTIP is administered by the Committee. Annual grants to employees are made each year at the Committee s February meeting. Management proposes to the Committee the employees who will participate in the program and the number of shares to be granted to each participant. The Committee reviews, discusses and approves the types and number of awards to be made to each participant, including the named executive officers, and approves the terms, conditions and limitations applicable to each award. The Committee delegates authority to the CEO, within pre-established limitations, to make awards to newly-hired employees or current employees who are not executive officers during the course of the year. Long-term incentive grant values are targeted at the 50th percentile of the competitive market, but may be adjusted after consideration of factors that include share availability, burn rate and unusual changes in stock price.

o The LTIP allows the Company to award several types of long-term incentives, e.g., stock options, stock appreciation rights, restricted shares or units, performance awards, other common stock-based awards (such as phantom common stock units and deferred common stock units) and dividend equivalent rights. For 2014, the forms and mix of LTIP awards granted to the named executive officers are as follows.

Performance Share Units. Performance share units are units of Common Stock that are earned contingent on operating results over periods that run for three consecutive fiscal years. The performance share units granted to executive officers by the Committee in 2014 will be earned at the completion of 2016, depending on the achievement of established 2016 return on invested capital and cumulative cash flow goals. At the end of the vesting period and only if the performance conditions have been met, the executives will receive one-half of the award value in non-forfeitable shares of the Company s Common Stock, including the nominal amount of dividends paid on earned performance share units, if any, and the remaining one-half award value in cash.

Stock Options. Stock options are issued with an exercise price at no less than the closing market price of Common Stock on the date the options are granted. All stock options have a maximum term of ten years. Stock options granted in 2014 vest evenly over the first three anniversaries of the grant date.

Restricted Share Units. Restricted share units are units representing shares of Common Stock that are granted to a recipient and that vest after a period of time has elapsed. Until such time as certain conditions are met and the restricted share units vest, they remain subject to forfeiture. Under the terms of the LTIP, subject to certain exceptions, restricted share units that vest based solely on the lapse of time may not vest in whole in less than three years from the date of grant and no installment of an award may vest in less than 12 months. The restricted share units granted to executive officers by the Committee in 2014 vest three years from the date of grant. These share units vest only if the executive is employed by the Company at the end of the vesting period or if his or her employment was ended due to death, disability or a change in control during that period. Once vested, the restricted share units granted to executive officers are generally subject to a mandatory holding period of two years, at the end of which the shares are distributed and taxes paid. This approach strengthens the retention aspects of the Company s pay program, consistent with one of its key principles.

The Committee generally makes all LTIP awards to employees, including the named executive officers, at its February meeting. The exercise price of any awards, including stock option strike price, is determined by the closing price of Common Stock on the NYSE on the date the Committee approves the grants. From time to time during the year, the Committee (or the CEO pursuant to the authority delegated to him by the Committee) may award shares to a new hire or to a current employee. In such cases, the strike price of any options granted is based on the closing price of the Ferro Stock on the NYSE on the date the award is granted which, in the case of new hires, is the first date he or she is employed.

Other Benefits

o *Retirement Benefits*. In previous years, the Company offered its employees a defined benefit plan known as the Ferro Corporation Retirement Plan (the DB Plan) and, for executive employees, a supplemental defined benefit program, known as the Ferro Corporation Supplemental Defined Benefit Plan for Executive Employees (the Supplemental DB Plan). The DB Plan and the Supplemental DB Plan provided employees annuity payments in retirement according to pre-determined formulas. Effective March 31, 2006, the DB Plan and the Supplemental DB Plan were frozen for purposes of future accruals. The plans have been frozen as to new entrants since July 1, 2003. Mr. Thomas, who was hired prior to July 1, 2003, is the only executive officer who has earned a benefit under the DB Plan and under the Supplemental DB Plan.

Consequently, the primary retirement benefits for executive officers are a qualified defined contribution 401(k) plan, called the Ferro Corporation Savings and Stock Ownership Plan (the 401(k) Plan), and its companion non-qualified defined contribution plan, called the Ferro Corporation Supplemental Defined Contribution Plan for Executive Employees (the Supplemental 401(k) Plan). Eligible earnings include both the base salary and annual incentive plan award amounts. The Supplemental 401(k) Plan primarily provides participants with Company contributions that would have been made to their 401(k) and basic pension contribution accounts under the 401(k) Plan were it not for tax law limitations. The Supplemental 401(k) Plan allows participants the option of a deemed investment in either Common Stock or the stable asset fund under the 401(k) Plan. No premium or guaranteed investment return is provided.

- *Deferred Compensation Plan*. Senior Management Committee members are eligible to participate in the Ferro Corporation Deferred Compensation Plan for Executive Employees (the Deferred Compensation Plan). Under the Deferred Compensation Plan, participants may elect to defer a percentage of their annual salary, as well as their annual bonus and/or performance share unit payout, to be paid at a certain time specified by the participant and consistent with the terms of the plan. The Deferred Compensation Plan allows participants the option of a deemed investment in either Common Stock or the stable asset fund under the 401(k) Plan. No premium or guaranteed investment return is provided. There are no executive officers participating in the Deferred Compensation Plan at this time and deferrals under the plan have been suspended since 2010.

- *Change in Control Agreements.* For many years, the Board has recognized that there is always a possibility of a fundamental change in the Company s ownership and control through a change in control. Any such threatened or actual change in control would create uncertainties and raise questions that could result in the departure or distraction of management personnel to the detriment of the Company and its shareholders. In light of these facts, the Board determined that appropriate steps needed to be taken to reinforce and encourage the continued attention and dedication of members of the Company s management to their assigned duties without distraction in the face of potentially disruptive circumstances arising from the possibility of a change in control. Consequently, the Company has entered into change in control agreements with each of the executive officers. Since 2010, change in control agreements offered to new executives do not include an excise tax gross-up or a modified single trigger provision and, only two named executive officers have grandfathered agreements. Neither Mr. Thomas nor Mr. Rutherford have gross-up or single trigger provisions in their change-in-control agreements. For additional information on payments to executive officers as a result of a change in control, see the discussion under Change in Control Payments beginning on page 44.

Executive Peer Group

For compensation decisions made in February 2014, the Compensation Consultants provided competitive market data for both a custom peer group and a 40-company general industry group.

The companies comprising the custom peer group were selected based on factors including company size (e.g., revenues and employees), products, end-use markets and degree of global operations. The annual revenues for the peer group companies generally ranged from one-half to two times the Company s annual revenues, and these companies overlapped significantly with the Company s businesses and end-use markets. The Company s custom peer group for February 2014 compensation decisions included:

A. Schulman, Inc.	International Flavors & Fragrances Inc.
Airgas, Inc.	PolyOne Corporation
Albemarle Corporation	Rockwood Holdings, Inc.
Cabot Corporation	RPM International Inc.
Cytec Industries Inc.	Sigma-Aldrich Corporation
FMC Corporation	Tronox Limited
HB Fuller Company	Westlake Chemical Corporation
Hexcel Corporation	W.R. Grace & Company

Data for the custom peer group comes from the Equilar database and, for companies not reporting the information to Equilar, from proxy disclosures.

The general industry group represents companies from a broader range of industries, and is composed of 20 companies with revenues higher and 20 companies with revenues lower than the Company. The Compensation Consultant provides this list of companies and their pay practices to the Committee. Pay practices for the general industry group, all of which are reported to the Equilar database, establish a secondary reference point to confirm the validity of the findings from the custom peer group proxy statement analysis, and provide a broader perspective on compensation practices across the market within which the Company competes for senior executives.

Data from the custom peer group and general industry group were used to identify competitive base salaries, annual incentive targets, target total cash compensation, long-term incentives and total direct compensation (cash compensation plus long-term incentives) for the CEO and other members of the Senior Management Committee. These competitive pay levels served as a basis for the Committee s annual review of the Company s pay programs. The Committee and the CEO considered this information in establishing base salaries, annual incentive targets and long-term incentive awards. The Committee approves all pay decisions related to the named executive officers and other members of the Senior Management Committee, if any.

The Committee recognized that, as a consequence of the divestitures of the solar paste assets and pharmaceutical and metal powders businesses during 2013, the Company s revenues had declined and the custom peer group should be revised accordingly. In mid-2014, with the advice of the Compensation Consultant, the Committee approved a new custom peer group:

Albemarle Corporation	Minerals Technologies Inc.
Axiall Corporation	NewMarket Corporation
Cabot Microelectronics	OM Group Inc.
Compass Minerals International Inc.	OMNOVA Solutions Inc.
Cytec Industries Inc.	Rockwood Holdings, Inc.
HB Fuller Company	RPM International Inc.
Hexcel Corporation	Sensient Technologies Corporation
Innophos Holdings Inc.	Tronox Limited
Innospec Inc.	Westlake Chemical Corporation
Martin Marietta Materials Inc.	

2014 Executive Compensation Decisions

At its February 20, 2014 meeting, the Committee reviewed the current levels of pay for the Senior Management Committee. The Committee considered the competitive market data provided by the Compensation Consultant for base salary, annual incentive targets and long-term incentive awards, the recommendations of the CEO, and the experience, tenure and performance of each executive. After discussion, the Committee approved an increase to Mr. Thomas s base salary of 4.0% to $865,000 and base salary increases for the balance of the named executive officers ranging from 3.0% to 4.4%. No changes were made to then-existing target AIP percentages.

The Committee also approved long-term incentive grants to Messrs. Thomas, Rutherford and Duesenberg, and Ms. Killian comprised of restricted share units, stock options and performance share units. The Committee established the goals for vesting of the performance share units for the 2014-2016 performance period based on 2016 return on invested capital weighted at 70% and cumulative cash flow weighted at 30%.

On February 18, 2015, the Committee reviewed the Company s performance compared to the goals for the 2014 AIP. Actual results at the corporate level were as follows:

		2014 AIP Goals				
		Threshold	Target	Maximum		
Metrics	Weighting	25% Payout	100% Payout	200% Payout	Actual	Score
Operating Profit(1) ($ millions)	70%	$ 102.0	$ 127.4	$ 153.0	$ 136.5	135.9%
Cash Flow(2) ($ millions)	20%	$ (8.0)	$ 1.9	$ 12.0	$ 31.9	200%
Strategic Goals	10%	25%	100%	200%	180%	180%
Weighted Score						153.1%

(1) Operating Profit is calculated as gross profit less sales, general and administrative expenses and excludes restructuring charges, impairments, discontinued operations and other special items. For divestitures of the plastics business assets and the North America and United Kingdom polymer additives assets completed in 2014, actual results were measured through the date of divestiture, and budgeted performance assumed for the remainder of the year. For the remaining polymer additives business in Belgium, actual results were measured through the date the business was moved into discontinued operations, and budgeted performance assumed for the remainder of the year. Acquisitions made in 2014 are excluded.

(2) Cash Flow is the change in net debt from year-end 2013 to year-end 2014. Net debt is total debt on the balance sheet less cash. The change in net debt excludes the net effects of the restructuring spend, the debt and cash effects of any acquisitions or divestitures and other special items.

The Committee also reviewed performance related to the Company s strategic goals:

Restructuring and cost reduction programs: One year ahead of schedule in achieving planned cost reductions.

Operating excellence: Achieved return on invested capital goal of over 10% in the third quarter of 2014. OSHA recordable incident rate declined by 22%. Enterprise risk scores reduced in five areas.

Organic growth: Delivered over $67 million in new product revenues.

Completion of identified acquisitions and divestitures: The plastics business assets and the North American polymer additives business assets were divested over the course of the year. On December 1, the Company acquired Vetriceramici S.p.A., a leading supplier of ceramics coatings to high-end tile manufacturers.

Enhance capital structure: The recapitalization was completed on schedule ($300 million of term debt plus revolver).

Based upon the strong financial results, the achievements related to the strategic goals of the Company and discussion of each executive officer s contributions during 2014, the Committee determined that each of the executive officers would receive an AIP payout at the calculated performance score of 153.1% as follows: Mr. Rutherford, $468,000; Mr. Duesenberg, $357,000; and Ms. Killian, $310,000. The Committee also determined that Mr. Thomas would receive an AIP payout of $1,324,300.

The Committee also reviewed the results for the goal established for performance share unit grants awarded for the 2012-2014 performance period   the change in Ferro   s stock price relative to the change in stock price for a selected group of peer companies.

Group	**Weight**	**Factor**	**Minimum 25%**	**Target 100%**	**Maximum 200%**
Corporate	100%	Percentage Change in Stock Price Relative to Selected Peer Group	25th%	50th%	75th%

The selected peer group included:

Albemarle Corporation	Hexcel Corporation	RPM International
Cabot Corporation	Minerals Technologies	A. Schulman, Inc.
Cytec, Inc.	OM Group	Sensient Technologies
Chemtura	PolyOne Corporation	Sigma Aldrich Corporation
W.R. Grace & Company	Rockwood Holdings, Inc.	Solutia, Inc.
H.B. Fuller Company		

Ferro s stock price improvement over this period of 118.8% was at the 85.7th percentile of the peer group, resulting in a maximum payout to participants.

	50% Delivered in # Shares	50% Delivered in Cash
Peter T. Thomas	53,100	$ 701,451
Jeffrey L. Rutherford	58,200	$ 768,822
Mark H. Duesenberg	42,100	$ 556,141
Ann E. Killian	36,700	$ 484,807

On December 29, 2014, the Committee awarded a new service-based retention grant of 100,000 restricted stock units to Mr. Thomas under the 2013 LTIP. The award was made in recognition of the fact that Mr. Thomas s original retention grant of 148,698 cash-settled, service-based restricted stock units for leading the Company after the departure of the Company s former CEO was earned by Mr. Thomas in November 2014. Since his appointment as interim President and CEO effective November 12, 2012 and as President and CEO effective April 24, 2013, Mr. Thomas has provided strong leadership for the Company and directly contributed to the Company s financial and operational success. To address concerns as to whether Mr. Thomas might retire from the Company in the next three years, the Committee designed the retention grant to incentivize him to continue in his current positions through December 29, 2017. Under the terms of the retention grant, the 100,000 restricted stock units will vest if Mr. Thomas remains employed by the Company or an applicable subsidiary or affiliate until December 29, 2017. Mr. Thomas will not be entitled to any dividend equivalent rights with respect to the award. The grant will be subject to accelerated vesting in full if Mr. Thomas is involuntarily terminated due to death, disability or without cause (as defined in the Company s Executive Separation Policy) or if Mr. Thomas terminates his employment for good reason (also as defined in the Company s Executive Separation Policy). The treatment of the award in the event of a change in control will be as provided under the 2013 LTIP.

Additional Information Concerning Executive Compensation

Use of Tally Sheets

In 2014, the Compensation Committee reviewed comprehensive tally sheets illustrating the total compensation for the most recent three years for each named executive officer and the compensation and benefits payable upon termination, including voluntary termination, separation, and change in control.

Stock Ownership Guidelines

Ferro has maintained stock ownership guidelines for its Directors and executive officers since 1998, reinforcing one of the key objectives of the Company s pay program, the alignment of pay with the interests of shareholders. The guidelines are reviewed and updated periodically to ensure they achieve their intended purpose. The current guidelines require the CEO and other Senior Management

Committee members to achieve target ownership levels of 150,000 shares and 30,000 shares, respectively. The fixed number of shares eliminates volatility in the share ownership requirements that can occur with sharp movements in share price. Newly hired executives have five years to achieve their target ownership levels. All of the Company s named executive officers meet or exceed the established guidelines.

The Committee also reviews executive officer stock ownership compared with the market practice of a multiple of salary guideline. All named executive officers also meet or exceed the market guidelines for stock ownership.

For non-employee Directors, the stock ownership guideline is 10,000 shares. Each new non-employee Director has five years from the date of election to achieve the target ownership level. Currently, all non-employee Directors are in compliance with or exceed the established guidelines.

Shares of Common Stock deemed to be owned by each executive officer and Director include shares owned outright with no restrictions, restricted share grants, restricted share unit grants, shares owned in the 401(k) Plan, shares deemed to be invested in Common Stock through the Deferred Compensation Plan and Supplemental 401(k) Plan, 20% of vested options that are in-the-money by more than 30%, and shares represented by deferred stock units granted to non-employee Directors.

Section 162(m) Limitation

Section 162(m) of the Internal Revenue Code generally provides that certain compensation in excess of $1.0 million per year paid to a company s chief executive officer and certain other executive officers is not deductible by a company unless the compensation qualifies for an exception. Section 162(m) provides an exception for performance-based compensation if certain requirements, including shareholder approval of the material terms of the performance goals, are satisfied. The LTIP contains the provisions necessary to potentially qualify certain awards under the LTIP under the Section 162(m) exception and potentially preserve the tax deductibility to the Company of compensation paid to executives under these pl